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ABSTRACT

There is no present consensus regarding long-term consequences of rural industrialization on society. Since 1950, smaller rural communities in the South and Southwestern United States have gained in industrialization due to their generally low-wage non-union labor supply and lower tax structure, both attractive to industry seeking greater profits. The aggressive state and promotional leadership in the South along with federal, state, and local subsidies have proven that even very small communities can attract industry if they are eager to do so and prepared enough to deal positively with the mixed social and economic consequences. Positive economic results such as increased per capita income and more people escaping poverty are offset by more dubious social consequences including unimproved community services, psychological readjustments for workers, weakened horizontal community ties, and outside leadership. The solution to the question of a changing rural social structure lies not in unguided rural industrialization but in a purposive set of policy alternatives based on community values and goals, and in locally-designed means of achieving these goals (including the creation of new capital structures to keep capital working and multiplying at the local level). (SB)

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INDUSTRIALIZATION OF RURAL AREAS: RECENT TRENDS AND THE SOCIAL AND ECONOMIC CONSEQUENCES

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Industrialization of Rural Areas: Recent Trends and the Social and Economic Consequences*

by

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Introduction

The current wave of industry sweeping across rural America, and particularly the South, appears to be permanently altering the face of the Nation. Some view these current events as the panacea for low incomes, inadequate services, and sub-standard living conditions that have long plagued rural America. Others view the process of rural industrialization as a threat to the last vestiges of moral strength and social stability that have served to anchor the apparent rootlessness of the city. Still others, fear that if the pace of industrial development continues, the bucolic hinterland will no longer serve as a place for weekend retreats or a summer vacation land for the city/factory weary resident.

In Industrial Invasion of Nonmetropolitan America, Gene Summers says, "The potential impact of capital migration is a process of societal realignment with a scope and magnitude rivaling the emergence of industry in the last century or the mechanization of agriculture in this century." Most rural industries represent a capital infusion by an outside element with outside financial control, outside decision making, and primary interest subject to factors outside the local community. A rather

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critical view of the Southern experience with industrialization was recently provided by John Seigenthaler, publisher of The Nashville Tennessean. Addressing the Forum on the Agrarian Tradition in America at The University of Tennessee, Knoxville in the summer of 1976, he said:

> "The Americanization of Dixie" has left our rural areas vacated. The few who remain struggling on small farms, or running machines on giant, monopoly farms are robbed of adequate educational opportunities for their children, robbed of adequate health services for themselves and for the elderly, robbed of much of the dignity that went with the old agrarian way. And in the cities we have imported blessings, industrial blessings, which have become curses, and have exported North, East and West some of our poor whites and blacks who have come to inhabit "hillbilly havens," and core-city ghettos North and South.

Presently, there is no consensus about the long term consequences of rural industrialization for the well-being of our society. An objective assessment of the social and economic consequences is made difficult by the emotional nature of the issue. Nevertheless, the purpose of this paper is to examine selected dimensions of rural industrialization, drawing from available research. The following questions will be addressed:

1. What are the recent trends in rural industrial location?
2. What are some of the key reasons why industry is moving into rural communities?
3. What social and economic consequences can be identified?
4. What should we do about it, if anything?

Allow me to take a few minutes to delight in the academician's garden, i.e., to examine existing trends, report results of "hard" research, and, in other ways, provide a common set of information for this discussion. In doing so, I will draw heavily on research syntheses recently completed by Eldon Smith and by Smith and Summers for the Southern Rural Development Center. I will then return to the "real world" of practicality and public policy by critically appraising existing industrial development leadership

patterns in the South and conclude by suggesting specific policy initiatives designed to improve rural conditions as they are altered by rural industrialization.

1. Recent Trends in Rural Industrial Location

Over the past twenty years we have seen several federal programs designed to promote population dispersal and develop rural areas. The Rural Development Program of 1955 was followed by the Area Redevelopment Act of 1961; the Public Works and Economic Development Act of 1965, which created the Economic Development Administration; and most recently the Rural Development Act of 1972. These programs have all been funded well below their authorized levels, casting serious doubt on our national commitment to develop rural America. Providing public service jobs and perhaps slowing rural-to-urban migration were recognizable intents of the legislation, but not creating a truly rural alternative to the pervasive urbanizing forces at work in society.

These federal efforts coincided with and helped stimulate a broad range of local, regional, and state programs to attract industry into rural America. In 1963 alone, fifteen states authorized some form of tax concessions for new or expanded industrial facilities, exempting $3.6 billion worth of property. Dillman and Mulkey in an April 1976 article in the journal, Growth and Change, assumed an effective tax rate of 1.1 percent of market value, and estimated annual taxes foregone by states and localities to be roughly $40 million. They also felt that an upward trend in tax concessions was under way. Significantly, communities that engage in subsidization tend to be those least able to afford the lost revenues. We should not be surprised then, that rural community services

remain poor while fifteen thousand industrial development groups chase after the one thousand firms that locate annually.

The spatial redistribution of manufacturing enterprises into rural areas of this country reached significant proportions only as late as the 1960's. Cheap land and labor in rural communities assisted the public incentives to industrial relocation offered by federal and state government and rural communities. Equally significant, however, are two other related factors:

1. Labor problems due to strikes, slowdowns, high wages, and high labor turnover have raised serious questions in the minds of corporate decision makers about the desirability of urban locations. Advanced communication and transportation networks aided by subsidized manpower training programs make it increasingly feasible to conduct sophisticated manufacturing operations in rural communities where labor organization tends to be weak.

2. Recent research conducted with Appalachian migrants in Cincinnati and Lexington and with rural residents in five of the poorest counties in Tennessee supports the proposition that rural people prefer to live in rural communities in spite of substantial earning differentials between rural and urban areas.

The Appalachian migrants in Cincinnati indicated they would, on the average, give up a third of their income to move back to Eastern Kentucky if jobs were available (Deaton, 1972). A similar group in Lexington, Kentucky, in contrast, implied they would have to be subsidized to return to their home area (Morgan, 1973).

Rural Tennesseans surveyed in conjunction with the Title V project under the Rural Development Act of 1972 indicated that income increments ranging from 9 to 51 percent - depending on whether the move was to a nearby growth center or to a Northern city - would have to be earned to induce them to move. (Atlanta was preferred over any major Northern city.) However, 81 percent of the random sample said they were unwilling to move under any conditions (Morgan and Deaton).

Two points seem evident from these results and may have significant policy implications:

1. Current residents of rural areas seem reluctant to leave even for significantly greater earning potential.

2. Cities are quite different in their appeal to rural people, with the city's cultural familiarity as well as physical proximity being of critical importance.

National opinion polls consistently support these research findings. Rural communities are perceived to offer a higher quality of life, a better place to rear children, to have cleaner water, purer air, and less crime (Economic Development Division (EDD) Staff).

Recent trends in population and economic activity reveal that smaller rural communities are gaining more than any other area, and it isn't clear which is leading and which is following, the industry or the people. Over 600,000 manufacturing jobs were added in nonmetropolitan areas of the Southeast alone between 1962 and 1972, roughly twice the increase in metropolitan areas, accounting for one-third of total U.S. expansion in this ten-year period. This trend seems to be gaining strength in the 1970's. From 1970-76 rural counties experienced renewed growth and vitality as population increased by 8 percent and 2 million new migrants moved into rural communities, mostly from urban areas. Nonfarm wage and salary employment increased 22 percent in rural areas, compared with 11 percent in urban areas (Beale, Rural Development Perspectives, November 1978).

As of March, 1975, the major employment category for rural workers was in manufacturing where 5 million of the 21.6 million rural residents were employed. In order of diminishing importance, other employment categories were wholesale and retail trade (4.2 million); professional

services, such as health, education, business and repair services (3.8 million); and agriculture, forestry and fishing (2.0 million). Thus, only 9 percent of rural workers were employed in agriculture compared to 23 percent in manufacturing (Beale, Rural Development Perspectives (RDP), p. 2).

Longer term residents tend to be employed in agriculture and manufacturing, whereas recent migrants are more prevalent in construction, trade, public administration, and most notably, professional services (Figure 1).

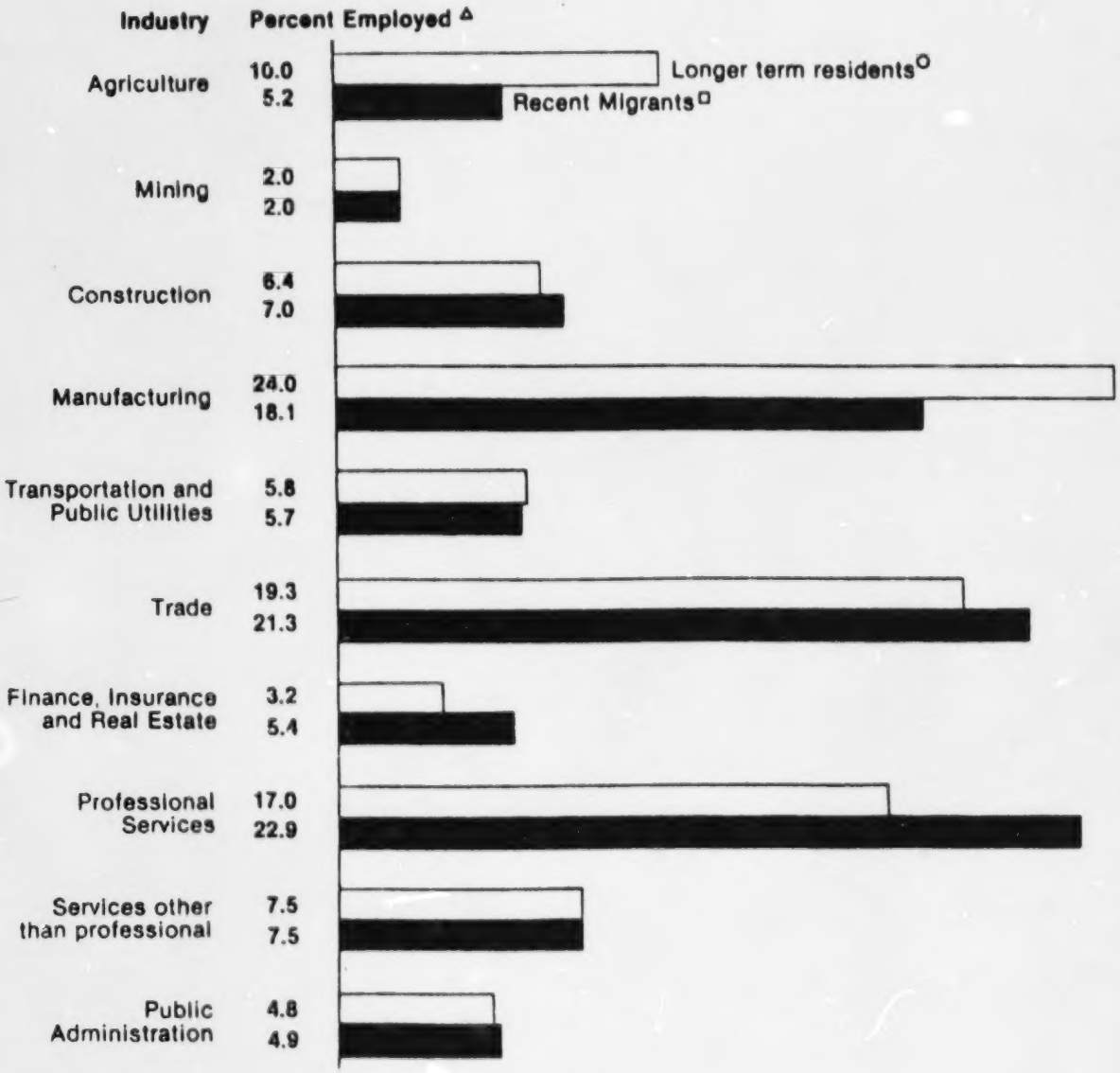
The changes in nonfarm wage and salary employment between 1970-77 provides an interesting contrast in rural and urban trends (Figure 2). Rural workers are now finding relatively more work opportunities in service industries rather than manufacturing or agriculture. Labor force participation by women has grown markedly, as they accounted for over two-thirds of the increase in rural employment between 1960 and 1974 (EDD Staff, p. 8). This trend will be examined in more detail later in the paper.

2, Factors Influencing the Movement of Industry Into Rural Communities

The sudden population turnaround associated with industrial diversification and movement into rural communities seemed to take many economists by surprise. Regional economic theory had placed undue reliance on agglomeration and growth center theory and had not sufficiently accounted for the inherent social costs of population concentration. More traditional classical theory pointed toward what actually happened: the movement of industrial capital into low wage areas to garner potentially greater profits. The adjustment process had just taken much longer than many

Figure 1

Industrial Composition of Nonmetro Workers by Length of Residence, 1975 ■

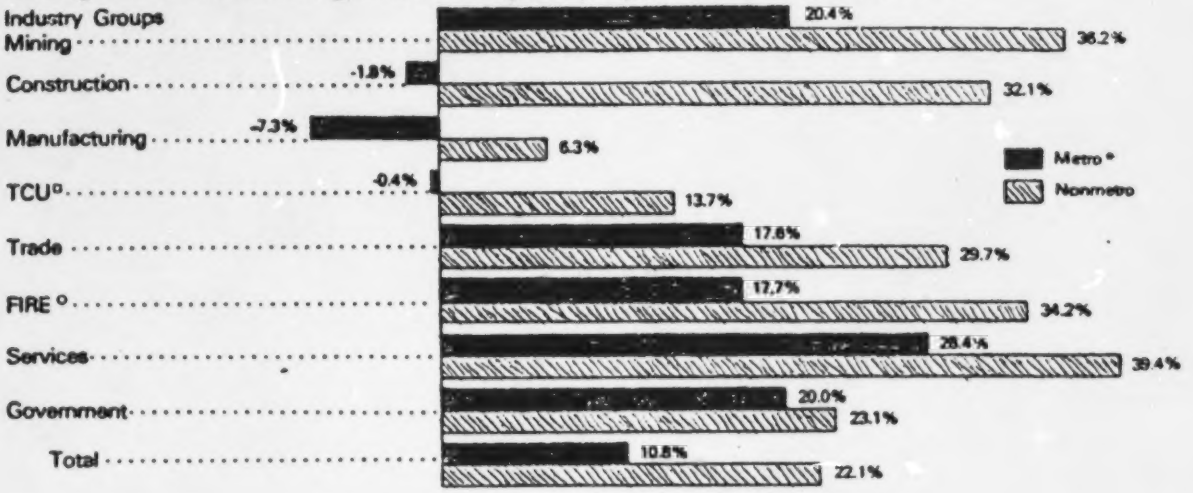


■ Nonmetropolitan as of 1974. △ Civilians 16 years old and over. ○ Nonmetropolitan residents in both 1970 and 1975. □ Nonmetropolitan residents in 1975 who lived in metropolitan areas in 1970. Source: U.S. Bureau of the Census.

Source: Rural Development Perspectives, RDP 1, November, 1978, p. 3.

Figure 2

Change in Nonfarm Wage and Salary Employment, March 1970-77



[a] EXCLUDES ABOUT 90 SMALLER STANDARD METROPOLITAN STATISTICAL AREAS.
[b] TRANSPORTATION, COMMUNICATIONS, AND UTILITIES GROUPS. [c] FINANCE, INSURANCE, AND REAL ESTATE GROUPS.
SOURCE: STATE EMPLOYMENT SECURITY AGENCIES

SOURCE: Rural Development Perspectives, RDP 1, November, 1978, Figure 3, p. 8.

economists would have hypothesized by drawing on traditional theory.[1]

A longer run perspective was needed a few years back as rural areas were mined for capital and manpower by the agricultural transformation. More public investment to offset the social costs of job losses and migration would have eased short term distresses of the 50's and 60's and would have provided a foundation for non-inflationary economic growth in the decades to follow. Today, we should realize that economic, social, and psychological forces will eventually serve to limit the profit potential of rural America. Low wages will tend to disappear, labor unions will grow in strength, and local governments will be forced to balance their property tax rolls to provide revenue for public services that will be increasingly demanded. Population dislocations may be altered or even reversed again if more profitable opportunities occur elsewhere. After all, there are many low income countries around the world that offer cheap labor and raw materials to attract the international flow of capital.

The aggregate demand created by population growth in the South and Southwest, non-union labor, generally lower tax structures, and aggressive state leadership in the South have all contributed significantly to the movement of industry into rural communities. Direct and indirect subsidies were mentioned earlier as general causes of industrial relocation. However, given the urban turmoil and labor unrest of the 1960's, one suspects that these subsidies were not the prime motivation behind recent industrial movement. Subsidies are the most manipulative factors, on the other hand, and principally important in intraregional location decisions,

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[1] An exposition of these theories is presented in Richardson. He modifies the agglomeration theories to include social costs.

i.e., between states of the South and between communities within a state. Therefore, state and local governments keep abreast of indicators of the significance of subsidies and tax incentives such as

- tax holidays
- below market property appraisals
- tax free property
- industrial revenue bonds
- low cost speculative buildings

A recent issue of The South Magazine (December, 1978) in an article by Jerry Adams, "Hard Selling Southern Plant Locations" (pp. 34-35) illustrates the magnitude of state government expenditures to attract industry (Table 1).

A couple of region-wide observations can be quickly made. (1) The capital-labor ratio varies substantially across the region, reflecting a diversity of industry types, and probably wage levels as well, (2) little relationship can be observed between the level of the state industrial recruitment budget and either the level of plant investments or jobs created. This general picture reveals very little about the rural-urban distribution of the new plant investments and industrial jobs, though rural areas of these states have gained at a faster rate than urban areas.

The recruitment budgets in Table 1 reflect expenditures of state government only. The sum of local and regional recruitment spending, tax breaks and industrial financing assistance by rural communities of each state probably exceeds the total state government expenditure in every case. No comprehensive set of figures are available on this issue, but the importance of local efforts in attracting new industry have been documented in recent research (Smith, Deaton and Kelch).

TABLE 1

State	Plant Investments (000)	Jobs Created	1978 Industrial Recruitment Budget
	--- Jan. 1976 to mid-1978 -----		
Alabama	$4,000,000	40,000	$ 650,000
Arkansas	580,783	28,050	2,146,436
Georgia	2,585,400	56,272	2,462,267
Kentucky	1,178,143	22,921	1,100,000
Maryland	184,000	12,295	649,654
Missouri	201,254	12,045	899,994
North Carolina	3,581,547	70,345	1,300,000
Oklahoma	1,021,178	14,046	960,000
South Carolina	2,002,062	31,473	2,800,000
Tennessee	685,000	20,434	1,055,806
Virginia	1,721,384	22,485	1,600,000
West Virginia	686,476	9,225	728,957
TOTALS			

Five states - Delaware, Florida, Louisiana, Mississippi and Texas did not reply to the survey.

Source: The South Magazine, December, 1978, pp. 34-35.

The importance of factors influencing industrial location varies by the decision stage. At the first level, broad regional considerations of national or international market potential and the transportation of inputs are major considerations. Once a general region of the country has been established, another set of criteria are evaluated such as state level tax structure, environmental regulations, transportation systems, etc. At the final stage of the decision process, a specific community and plant site within the community must be chosen. In this respect, "many are called, but few are chosen," and local leaders wring their hands in dismay and spend a lot of "Monday-morning-quarterbacking" as they fall among the many, rather than the select few.

Recent research evidence points out some of the important community level factors that help influence industrial plant location within a region and provide a degree of guidance to local recruitment efforts.

A survey conducted by the Economic Development Administration (EDA) in 1973 reports the views of 700 businesses which were planning to expand their operations within the next five years. They were asked to rank the importance of a wide range of factors influencing their location decision. Table 2 reports the results of this survey for the critical and significant responses. The community factors are grouped by the degree of community control over them.

The largest group of critical factors are those that can be directly influenced by a local community. To improve critical factors such as fire protection services, local leadership must exercise sound judgment and planning. Although local industrial development groups were not highly ranked in the above table, communities cannot effectively deal with the more critical factors without organized group action. Industry

Table 2. Relative importance of community factors classified by degree of community control over each factor.

Community Characteristic and Degree of Community Control	Critical factor	Critical or significant factor
	percent	
Factors beyond control of local communities		
Natural gas service	32	83
Pool of unskilled workers	17	80
Raw industrial water supply	16	60
Soil bearing capacity	14	72
Water transportation	3	17
Factors which may be influenced by local communities		
Major highway within 30 minutes	37	94
Scheduled rail service[a]	23	62
Pool of trained workers	17	86
Scheduled air freight service	12	68
Scheduled air passenger service	12	63
Vocational training facilities	2	65
Higher educational facilities	2	57
Factors which can be altered directly by local communities		
Fire protection	43	93
Contract trucking	30	79
Police protection	28	91
Processed industrial water supply[b]	23	74
Industrial sewage processing	20	78
Solid waste disposal	17	77
Tax incentives or holidays	8	78
Lenient industrial zoning	5	77
Local industrial development group	3	60
Local industrial bonds	3	40
Public warehousing	1	24

[a]This classification assumes that a major rail line is located within a "reasonable" distance, (no more than 10 miles from the industrial site). The community can plan for the construction of a rail spur.

[b]This classification assumes the availability of a raw supply of water for industrial use.

looks for the results of effective group actions rather than the mere existence of a group.

A second study analyzed the determinants of industrial location in rural communities of Tennessee and Kentucky (Smith, Deaton, Kelch). The objectives of the study were: (1) to determine whether communities can influence their relative attractiveness to industry and (2) to measure the relative influence of different community characteristics that could be modified by direct community action.

The study revealed that interstate highway access, the presence of a college, improved fire protection, higher educational expenditures, the willingness to provide revenue bond financing, publicly owned industrial sites, and the quality of the industrial site were all statistically significant determinants of industrial location. Industrial site quality was measured by four factors: inches of water and sewer main, acres of land in the site, and the presence or absence of a rail siding at the site.

The results indicated that effective community action can improve the probability of acquiring new industries. Also, appropriate community investments can overcome, to some degree, natural and locational disadvantages which characterize some communities (i.e., those located away from interstate highways, without rail access, or well developed infrastructure). Neither community population nor the size of existing manufacturing employment were significant indicators of new plant locations. This is good news for smaller communities that want to attract new industry.

Communities can exercise the most direct control over the acquisition and development of industrial plant sites. Data available from the

Kentucky-Tennessee research project is informative for community leaders interested in improving the quality of their sites.

Fifty-four percent of the sites selected by industry were owned by a local government body or development group and 46 percent were privately owned. The average site was 20 acres, but size ranged from 6 to 175 acres. Water lines were usually 6-8 inches, and sewer lines were most frequently 8 inches, though some were 6, 10, and 12 inches.

A speculative building was available on 17 percent of the Tennessee sites. Statistical analysis of the Tennessee data suggests that a speculative building of proper dimensions may improve the probability of attracting an industry by 30 percent or more. Obviously, this would be true only if relatively few communities had buildings available.

A building is an expensive venture and should be approached with caution given the budget constraints of most rural communities. Consultation with respective State Industrial Development offices is recommended before embarking on such "speculative" adventures.

3. The Social and Economic Consequences of Rural Industrialization

The paradox of poverty amidst plenty continues to haunt rural America as it does the broader society. In an article in the December 1973 American Journal of Agricultural Economics, "The Neglected Human Factor," Lee Bawden explained that although only 30 percent of the United States population lives in rural areas, 40 percent of the poor live there. The poverty rate was 11.6 percent among farm families as compared to 8.6 percent among nonfarm families in 1973. Most significantly, Bawden continued, "poverty is no longer connected to agriculture in rural regions, because the intermediate and lower end of farm income groups have switched their dependence from farm to nonfarm income to a significant degree."

No longer can we equate the welfare of farms with the welfare of farmers, nor the welfare of farmers with the welfare of the rural community. Consider that:

(1) The farm population in 1970 represented less than 20 percent of the rural population.

(2) At that time, 51 percent of farm household income was from wages and salaries and only 39 percent from farming.

(3) Farmers' off-farm income rose three times as fast during the 1960's as their farm income (Bawden).

The remaining 80 percent, the nonfarm rural population, is composed of urban workers who prefer the "pastoral" qualities of rural living, retirees in increasing numbers, and simply the "people left behind" who represent the unwanted, unneeded outcasts of American society. They are not needed on the farm nor in the factory. They are simply human beings with unfulfilled potential - rural America's share of the 23 million poor, 51 percent of whom have jobs but are still poor.

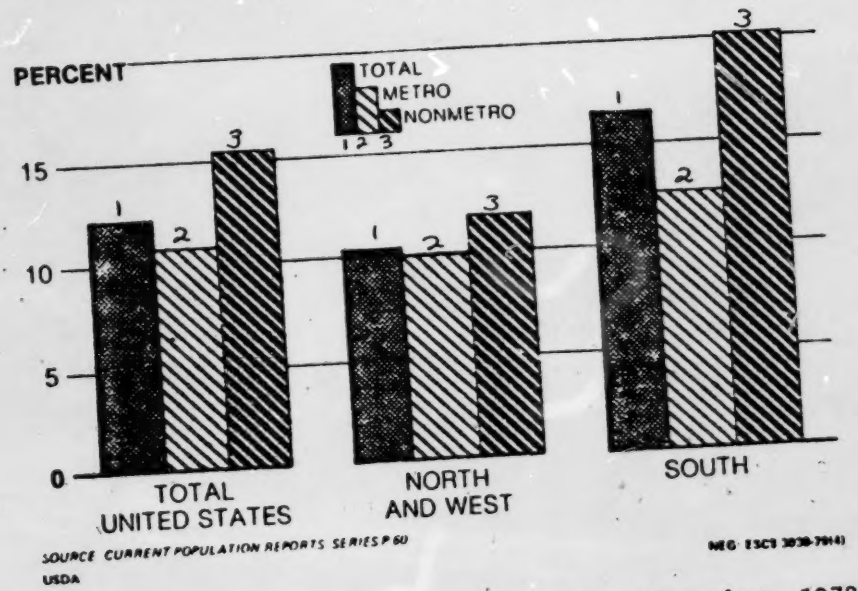
Rural people suffer from poor services in education, health, and housing. Rural America has 66 percent of the nation's substandard housing, but receives only 16 percent of all federal housing assistance. Pediatricians see only 4 percent of farm children, 12 percent of rural nonfarm children, but 25 percent of the children in metropolitan areas. Similar disparities exist in dental care, hospital care, and hospital insurance.

As late as 1975 poverty figures are still shocking and disproportionately concentrated among minorities of Blacks and Hispanics (EDD staff). Figure 3 reveals the South's disproportionate share of citizens below poverty.

The agricultural transformation earlier in this century was similar to the industrial revolution in Europe in the 18th and 19th centuries in

Figure 3

Persons in Poverty, 1975



SOURCE: Rural Development Perspectives, November, 1978, Figure 4, p. 10.

that it disrupted the cooperativism and organic interlinkages that bound the farm community into a meaningful web of mutual self-interest. As rural communities struggle to regain a sense of common interest and shared destiny, the advent of industrial plants threaten to further confuse local allegiances. Technological specialization, commodity interest groups, and international markets directly link the farmer's interest vertically to components of the larger society, but not to his neighbor. Little wonder that local rural people view askance the infringement of new industry.

Rural industrialization imposes a modus operandi alien to the rural culture. Although their earning power may be enhanced, farmers caught up in the process are demoted from manager to worker, from director to directee, and from a position of independence to one of dependence. A psychological adjustment must be made to cope with the shift from natural to nonnatural forces, from local to outside control, and from directive power to passive acceptance.

Again, as with the agricultural transformation, the horizontal links that tie a community into a cohesive whole are weakened while vertical links between the local industry and its mother plant or financial investors are strengthened. Local labor unions, if they exist at all, tie the worker more closely to the union bureaucracy than to other workers in the community. There is little homogeneity of interests between workers and management either within the plant or outside the plant within the local community. Strengthening the horizontal links within the community becomes the task of churches, schools, civic groups, and local government.

Rural communities have evolved differentially from urban culture, not sharing equitably in the benefits of urban development. The power of rural communities and agricultural interests to influence national public policy has diminished as consumer and environmental groups gain the upper hand. Consequently, the adjustment of social and economic factors takes place in a hostile environment among counteracting forces.

In many respects, then, we can agree with Summers that the process of rural industrialization is historically different from previous related phenomena. According to Summers, the historical evolution of industrialization in Western Europe and the United States was a process of social change with its origin in scientific discovery and technological innovation. The basis for societal adjustment was to some extent implicit in the values, goals, and propensities of the culture which gave rise to these processes of industrialization.

Nevertheless, the results can be viewed optimistically along the following lines:

1. A spatial redistribution of population will provide a more optimal quality of life and more feasible alternative life-styles. Hence, rural industrialization broadens the resource base for rural community development.

2. People will increasingly have the option of staying on the farm, even a small farm, while working in a manufacturing or service industry. Off-farm income among farm operator families rose three times as fast (101 percent) during the 1960's as did realized net farm income (44 percent). Between 1960 and 1970, off-farm income rose from 42 percent to 51 percent and is inversely related to total family income; i.e., lower levels of total family earnings are associated with greater proportions of off-farm income.

3. The integration of farm and nonfarm business interests in providing the basis for the rural family life-style may be a healthy foundation for coalescing rural people.

But are we just kidding ourselves with these rationalizations? Has the situation really changed any since 1963 when Michael Harrington wrote The Other America? He stated:

> The industry that comes to these places is not concerned with moral or social uplift. It seeks out rural poverty because it provides a docile, cheap labor market. There is income supplementing as a result, but what basically happens is that people who have been living in the depressed areas of agriculture now live part-time in the depressed areas of industry. They get the worst of two worlds.

Harrington raises a critical set of questions from a critical perspective. Yet, the more pervasive, longer term social consequences are neither questioned nor amplified for further deliberation. I propose that we do so in the remainder of this paper. That rural industry is attracted to relatively cheaper labor seems beyond question. Industry seeks to maximize the rate of return for its stockholders.

Accomplishing this goal, however, requires certain behavior and actions with significant implications for rural America. For example, consider that:

1. New industry brings new leadership into rural communities. While the local power structure is disrupted and local culture threatened, the diversity of ideas and stimulation probably has an overall beneficial result for the majority of rural community residents.

2. The income distribution in the local community is altered with subsequent shifts in the balance of consumption and savings. The aggregate effect is probably an increased potential for savings and capital accumulation. The result should be less inflationary than before.

3. More poor people escape poverty. These results depend on federal, state, and local policy for locational incentives and manpower policies. The existing observation is that they can be changed, once the implications are recognized and the political will marshalled to support a more enlightened public policy.

4. The psychological benefits of being a worker (or manager) in the economy as compared to a welfare recipient appear to be overwhelming, even in low-wage, unskilled plants.

5. The benefits to be derived by rural communities from new industry may depend upon the degree of participation by citizens of the community in the equity financing of the new economic venture.

By reviewing each of these five points in more detail, we may find grounds for more optimism in some respects, more pessimism in others, and, certainly, a new challenge to public decision-makers.

In some respects we can definitely be more optimistic than Harrington. Job opportunities and income levels have improved and poverty levels have declined in most rural communities. A 1970 study conducted by John A. Kuehn, et al., provides evidence of this favorable impact (Impact of Job Development on Poverty in Four Developing Areas, 1970, ERS-USDA, Ag. Econ. Report No. 225). Their study of poverty areas of Arizona, Appalachia, the Mississippi Delta, and the Ozarks revealed that 26 percent of new industrial jobs were held by members of households who had been below poverty level incomes. About two-thirds of these households escaped poverty in their new industrial jobs. The average real wage increase was $20.25 per week and discounted lifetime earnings increased by $12,880, though these varied by region.

A subsequent report on the impact of new industrial growth on the psychological orientation of workers was reported by Grinstead-Schneider and Green (Growth and Change, July 1978, pp. 36-43). They attempted to determine whether a "culture of poverty" or simply restrictive economic and structural factors are more important in shaping the attitudes of the rural poor. They concluded that attitudinal barriers were not major impediments to the job adjustment process for the low income workers studied. Their summary findings were reported as follows:

> Results from Grinstead's analysis of the Delta poor showed that internal control was the prevailing orientation, with blacks between the ages of 17 and 30 feeling more internally controlled than any other group. Perhaps young blacks had seen the most improvement in their economic status during the past decade, causing them to be more future oriented than older respondents. In both the Ozarks and the Delta, respondents were cautiously optimistic about the future, believing that

their economic condition in the next five years would improve.

Dodson found little evidence to support the existence of a culture of poverty among Ozark respondents. Fifty-four percent of Dodson's 16-44 year old respondents expected to be "better off" in 1975 than they were in 1970, and 33 percent of those respondents felt that they were better off in 1970 than they had been two or three years earlier. Younger individuals were more optimistic about the future than older people, and this contrast was particularly strong in the rural areas. Rural respondents also tended to expect the next five years to bring greater prosperity than did city or small-town dwellers.

It appeared from both Ozark and Delta data that expanding job opportunities were a significant force for countering pessimism or attitudes of external control. Internal control was most characteristic of the young and those with higher incomes, groups for whom job opportunities were best. The main point here is that there is no evidence of a prevailing negative syndrome which might interfere with successful job adjustment. Data from both the economically depressed Ozarks and Delta indicated that successful adaptation is not precluded by a culture-of-poverty ethos.

Their conclusions for policy are quite significant:

Instead of directing policy makers toward changing the attitudes and value systems of the poor, data indicated that increased emphasis should be placed on removing the tangible deterrents which inhibit labor adjustment. Transportation inadequacies might be partially remedied by small public buses or by guaranteed low-interest loans to the low-income worker. The expansion of low-cost medical insurance programs and establishment of day-care centers would meet crucial employee needs. Participation in job-training programs promises to be helpful in raising the skill levels of low-income workers, but monetary stipends are necessary for those whose savings are inadequate to sustain the associated periods of unemployment.

Responses from low-income workers indicated that they reacted positively to supervisor praise and recognition, but most workers stated that such motivators were absent in their work environments. The attention of management could be profitably directed toward providing additional motivators to the employment situation.

Gene Summers and associates undertook a massive synthesis of previous studies of rural industrial impact and the findings are reported in their book, Industrial Invasion of Nonmetropolitan America: A Quarter Century of Experience.

The general findings summarized from 186 documents belie the forboding connotations of the catchy title "Industrial Invasion". The results from 728 plants in 245 separate locations support the general conclusions that: 1) most communities want more industry, 2) those having some industry consider themselves better off than before it came, 3) industrialization is beneficial to most people that it affects, and 4) the public sector of most communities is not unduly harmed by changes associated with new industry, though public costs exceed public gains in some important instances. In all fairness, the authors explain in the preface their intent in using the term "invasion" ... "to call attention to the fact that immigration of industry holds potential problems as well as benefits for the hosting local public." They utilize a four party framework (local and non-local, public and private sectors), basically a social welfare criterion, for analyzing the dynamics of industrial impact on rural communities. The authors view each of these parties as relevant, distinct, decision-making entities: "Presumably each of these parties will assess nonmetropolitan industrial development according to its own criteria of potential costs and benefits and will carry on activity in the arena of political economics to maximize benefits and minimize costs" (p. xvii). The authors argue, however, that both the public and private sectors of most communities are unable to determine the benefits and costs of industrial development.

Their synthesis clarifies a number of issues that seem rather commonsensical ex post, but which are habitually ignored by local development

leaders bent on finding an industry for their town. The data consistently show that new manufacturing jobs generally do not help the poor and disadvantaged; and jobs for the unskilled are principally in low-wage industry. They report, "In a majority of cases only a small proportion of the jobs were filled by previously unemployed persons ... and over half the studies report hiring rates of the unemployed below ten percent" (p. 48). Moreover, "... the higher-skill, higher-wage firms attract few unemployed or poor individuals who typically lack the qualifications necessary to compete for jobs" (p. 48). And, "where the plants required more technical skills and where the net increases in average wage levels were the highest, the percentage of jobs filled by previously unemployed persons was lowest" (p. 48). On the other hand, hiring rates for previously unemployed workers in firms assisted by the Economic Development Administration and Area Redevelopment Administration were 32 and 43 percent respectively, reflecting a policy orientation toward providing jobs for the unemployed.

Only the economically naive ever expected the situation to be otherwise; yet, the notion that the goals of industry are primarily profit oriented and not particularly aimed at human capital or Quality-of-Life improvement for its own sake should be kept in mind by ambitious leaders of rural communities as they seek new industry. As the data illustrate, a strong public policy is essential to align private aims with public needs. Summers concludes that "... insufficient attention has been given to the distribution aspects of the gains, as well as the costs, of rural development" (p. 69). They clearly show that new labor force entrants from within the local community along with immigrants from other communities play a key role in determining the distribution of jobs and income.

The authors find that most public officials from Congress to County Boards see new industry as a solution to their city's budgetary problems, even though the location and service costs associated with the new industry are never clearly known and the benefits derived are principally private. They correctly argue that the local public sector benefits depend on the will and strength of local government to transpose private gains into an adequate flow of public revenue to offset the increased service costs (primarily utilities, water and sewerage) and changes in consumer preferences for the mix of services.

The authors present other relevant findings which seem to run counter to prevailing notions; i.e., industrialization is not associated with declining interaction with family and kin (p. 112), nor with less neighborliness (p. 120). Offsetting this evidence of social cohesion in the face of "industrial invasion" are allusions to increased family problems and lack of child supervision (p. 121) which leads one to wonder whether, perhaps, only the tip of the industrial "iceberg" is being revealed by our socio-economic analysis. Along with the tools of sociology and economics, we may need the psychological insight of a Robert Coles and the humanistic perspective of the modern day Steinbeck or Dreiser.

Additional insight into the consequences of rural industrialization can be gained from a study initiated at the University of Tennessee to evaluate the impact of new industry on the family income distribution of workers in the new plants. The results of this study are reported by Deaton and Landes in AJAE, December 1978 and more comprehensively in the unpublished M.S. Thesis of Maurice R. Landes, Research Associate in the Department of Agricultural Economics and Rural Sociology, University of Tennessee.

The study of 714 workers representing a 20% sample of workers in 35 plants in rural Tennessee attempted to identify family, industry and community characteristics that would explain the changing income distribution of the workers' families. The hypothesis of the study was that each of those factors was an important determinant of the changing distribution of family incomes.

Variables were selected to measure these factors and were evaluated in a multiple regression framework with the total change in family income being the dependent or "explained" variable. The results supported the hypothesis of the study. Some of the important variables deserve further observation.

The most important set of variables were those which measured the changing labor force participation of family members. The study reported that 10.4 percent of the workers sampled had spouses enter, 11.3 percent had spouses exit and 42.8 percent had spouses remain in the labor force between t_1 (the year before the plant located) and t_3 (1977, the time of the survey). Workers who had no spouse in the labor force in either period constituted 35.5 percent of the sample.

As would be expected, the greatest income gains (occurring in 22 percent of the observations) accrue to those families adding members to the labor force. And the greatest income losses (occurring in 9 percent of the observations) are associated with the loss of a labor force participant. The percent of families with both spouses working increased from 40 percent in t_1 to 53 percent in t_3.

The gain or loss of public assistance and other income were also significant determinants of family income changes. After beginning work in the new industrial plants, 16.6 percent of the sample families lost and 3.9 percent gained public assistance as a source of family income. Also,

1.2 percent of the sample lost while 14 percent gained some other source of family income. The most prevalent sources of public assistance incomes in both periods are unemployment compensation and social security payments. The most prevalent source of other income in both periods is part-time farming. There was a nearly threefold increase in average part-time farming incomes associated with the nonfarm employment of a family member between t_1 and t_3.

Female employees in the sample were, on the whole, older, less educated, had smaller changes in family size and were employed for shorter periods of time than male employees. Each of these factors contribute to smaller income gains for females. Also, on the average female workers were employed in larger, less skilled plants, with low relative wage levels. In fact, the average annual wage payments for females in t_3 was only $7,250 compared to $9,448 for males, and the average t_1 to t_3 wage changes were smaller for female workers.

The study also revealed that each additional year of formal education contributed to $226 in family income gains over the average 35 months in which the workers were employed in one of the sample plants. In addition, workers in higher skilled plants did not earn as much overtime as workers in lower skilled plants. Entry level wages in higher skilled plants seemed to be relatively lower, probably to offset the high in-plant training costs. Practically none of the plants utilized any form of publicly assisted training programs.

The income distribution effects of employment were analyzed by comparing relative well-being (defined as residual income above the poverty level for each family size) before and after employment in a sample plant. The results showed an equalizing effect on the income levels of quintile

groupings. That is, the lowest two income groups earned income levels closer to the mean (relatively higher incomes), as did the upper two quintiles (relatively lower incomes).

An important issue for communities is the extent to which families from outside the community compete with local families for income gains. The movement toward equalization of well-being of all workers within the sample, does not reveal the relative gains in well-being for the families of local versus commuting, migrating and return migrating workers.

To analyze the relative gains of each of these residence groups, Table 3 provides the percentages of each residence group in each quintile of family well-being in t_1 and t_3. Forty-five percent of all local workers, 37 percent of all commuters, 38 percent of all migrants and 37 percent of all return migrants were in the lower two quintiles of the t_1 distribution. In t_3 41 percent of the locals, 28 percent of the commuters, 38 percent of the migrants and 52 percent of the return migrants were in the lower quintiles of the t_3 distribution. Local families were the most likely to have the lowest levels of well-being in t_1 and only return migrants were more likely than locals to have low levels of relative well-being in t_3. Commuters were the greatest gainers in terms of movement out of the lower two quintiles (9 percent) followed by local workers (4 percent).

Finally, these data were analyzed to determine the effects of industrial employment on the incidence of poverty among families of workers in the sample (Table 4). Seventy-four (13%) of the 554 families were below poverty level incomes in t_1. The number of families below poverty fell to 16 (3%) by t_3. Eleven families stayed in the poverty category in both time periods, and five families fell from above to below poverty status. Gains and losses of a working member of the family were the principal reasons for these changes.

Table 3. Percentages of each residence group in each quintile of family well-being in t_1 and t_3.

Family Well-Being Quintile	Local		Commuter		Migrant		Return Migrant	
	t_1%	t_3%	t_1%	t_3%	t_1%	t_3%	t_1%	t_3%
I	22	20	16	15	23	17	21	28
II	23	21	21	13	15	21	16	24
III	20	22	19	22	17	20	17	14
IV	16	22	21	22	27	15	23	16
V	19	16	23	28	17	26	22	18
All Quintiles	a	a	a	a	a	a	a	a

[a]May not add to 100 due to rounding.

TABLE 4

CHANGES IN FAMILY POVERTY STATUS BETWEEN t_1 AND t_3 FOR SAMPLE OF RURAL TENNESSEE MANUFACTURING WORKERS

Family Poverty Status	Frequency (%)
Poverty (t_1) - poverty (t_3)	11 (2)
Poverty (t_1) - nonpoverty (t_3)	63 (11)
Nonpoverty (t_1) - poverty (t_3)	5 (1)
Nonpoverty (t_1) - nonpoverty (t_3)	475 (86)
Total	554 (100)

This research only addressed the income distribution of workers in new manufacturing plants. The broader consequences for income distribution in all parts of the local economy were not examined, though this is the more critical question. Other survey articles indicate that the size distribution of income has remained more or less constant since World War II (Rivlin).

4. Toward a New Policy for Rural America

The final question being addressed in this paper provides an opportunity to: (a) summarize the most salient points in the preceding discussion, and (b) discuss alternative policies that may be needed to deal with the most pressing social and economic problems that emerge.

A Summary

The national growth rate of manufacturing employment is at a virtual standstill (Fernstrom). According to the League of Women Voters Education Fund (1978), the U.S. has been losing manufacturing jobs at a rate above 1% per year since the early sixties.

A large number of factors, including an urban backlash on the part of industrial managers, explain the movement into rural areas. This backlash is aided and abetted by specific federal, state, and local subsidies and promotional leadership on the part of state and local leaders to attract industry into rural communities. Research has demonstrated that even the smallest rural communities can do a great deal to alter their potential for attracting industry. A more fundamental question is whether or not the community actually wants industry and is willing to prepare itself appropriately to deal in a positive manner with the social and economic consequences of industrialization.

These consequences are mixed. By and large we know that economic well-being, as measured by per capita income, has improved as a result of industrialization. The consequences for social relationships and family well-being remain somewhat more problematic. Family income distributions of workers employed in new industry have trended toward equality. Perhaps it is too early to evaluate the long run consequences in this respect, though previous national trends are not encouraging.

Perhaps the most significant questions raised by the research that we have reviewed deals with the changing structure of rural society, the ability of rural communities to draw on basic values to create a society consistent with public goals. Ultimately the public at large shapes the direction of society and utilizes technological change (including industrialization) in a manner consistent with its policy goals. This process of policy formation however may be thwarted by a lack of appropriate institutional structures, by a lack of effective leadership, and by a lack of adequate organization to garner resources to deal with the problematic issues thereby created.

Toward a New Rural Policy

Recent news articles indicate that for the first time the poor who left the rural South are now returning. Other data shows that the rural South is still the greatest poverty zone in America and that it is a particularly onerous burden on the Southern Black population. I cannot accept the fact that "the poor are always with us". This trite phrase represents a truism in terms of relative income distribution, i.e. there is always going to be someone at the lower end of the spectrum. However, it is a meaningless excuse for public policy. Many European countries have demonstrated that the most severe problems of the poor can be eliminated if the public will is sufficient to accomplish the task.

Because of the vast research that has been completed and is on-going today, we now have a more solid foundation of knowledge and expertise to solve some of the more fundamental issues of poverty and social degradation in the South and throughout the Nation. Any solution to these problems must come from viewing rural and urban America as part of an integrated whole. The interrelationships between the rural and urban components of the social system must be clearly delineated and key policy tools identified. Obviously, substantial public leadership will be required.

My own conviction is that the solution to rural problems of the South does not lie in unguided rural industrialization. Industrial plants will continue to locate wherever they can make the most substantial profits. Their motivation is not consistent with the public's goal of creating a sense of ownership and participation to guide the economic affairs of the community. Nor are maximum profits consistent with an attempt to alleviate poverty in the United States. Granted that new plants contribute new jobs that alleviate some poverty. Yet, most new industry moving into the rural South continues to be owned by outside interests.

A recent article in the Blacksburg Sun (Wednesday, January 3, 1979) was entitled, "Modern 'Carpetbaggers' Still Fuel South's Growth". The article points out that most of the new industry moving into the South is still owned by Northern capital interests including some industries started in the South, but taken over by Northern interests. A recent Newsweek article (November 27, 1978) described the growing encroachment of foreign owned companies on the South. This feature article on the buying of America documented the growing participation of German, Swiss, British, and Japanese companies in the United States. Obviously enlightened public policy is not the goal being pursued by these industries. Neither is it the goal of mainstream American capital.

The solution lies in alternatives. Alternatives based on clarification of the values that are identified with rural areas and the creation of alternative public policy based on these value foundations. The process of community development must be concerned with the goals of the rural community, with full participation of the disparate groups which constitute the rural population, and with the means designed by the rural community to achieve its goals. This requires recognizing the hetrogeneous composition of rural America, analyzing the diverse and often conflicting economic interests involved, and finally coalescing those interests into a compatible working relationship based on an appeal to the spatial dimension of their lives (i.e. their rurality and the common values and goals implied therein). At a minimum public policy can shape the impact of industry by influencing hiring policies, worker training programs, and the location and expansion of manufacturing concerns. This broad policy can be pursued at the national, state and local levels. Ultimately however the solutions to the most critical problems facing rural America lie at the local community level. Where the most basic values can be identified and nurtured through families, churches, and community organizations, and where the basic organizing nexus exists to help shape broader state and national policies.

In the first place, rural communities must recognize that neither federal nor even state leadership will provide the answer to their economic needs. State industrial development offices have their own agenda. That agenda is highly politicized and is aimed at furthering the interests of whichever political party happens to be in power. In addition, state industrial development offices serve only the most enlightened progressive communities of their state. They do not serve the "backwash" areas of rural America where most rural poor people live. State leaders

are reluctant to take an industrial prospect into a community that they feel may be unattractive, because they fear the loss of the industry to another state. The attitude of state industrial development leaders is principally an aggressive chamber of commerce approach that does not take into account the broader public interests of the state. They simply assume it is consistent with getting more industrial jobs.

I should add that in every state with which I am familiar, there are a selected few individuals with this broad public orientation in mind. However, they tend to be pushed aside by the more aggressive interests that kowtow to private economic interests at the state and local level, the construction companies, the chambers of commerce, the banks, the used-car industry. In other words, an effective community development program must be concerned with all communities in the state and must pursue an industrial development program with the interests of the entire state in mind.

The research by Grinstead and Green shows that the attitudes of the rural poor do not provide an unalterable barrier to mainstream jobs and full participation in economic ventures. Enlightened personnel management, mutual respect and concern must guide personnel policy.

Perhaps the most significant goal of a new rural policy should be to create new capital structures to keep capital working and multiplying at the local level. As a rural area continues to develop and expand, rural residents must, to an increasing degree, become the owners of the economic ventures created.

Naylor and Clotfelter have called for a policy of expanded ownership of business and industry supported by strengthened business management training. Small Business Investment Corporations (SBIC's) would be an integral part of their proposal. To their suggested policy, I would add

such alternatives as the "two-factor theory" of industrial organization that has been pursued by Louis Kelso, and the development of cooperatively controlled economic enterprises such as community development corporations. These structures can integrate the goals of moral and social uplift with the profit goals of business enterprises (Deaton, 1975). Potential profits can be traded off for enhanced job training or additional employment with incremental profit streams ultimately diverted to furthering more job creation or for funding local community services. This type of enterprise is democratically controlled and subject to the will of the community.

Such enterprises have been successful in Tennessee, through the Job Start Corporation in Kentucky, the Delta Foundation in Mississippi and have been endorsed by state legislation in Minnesota and Massachusetts (Grina & Beer; Sussman). A recent evaluation of CDC enterprises by Abt Associates indicated that they were particularly successful in rural areas as compared to urban areas.

A new Rural Development Bank is currently being sponsored by Senator Patrick Leahy. This bank could serve to create equity participation for rural interests, and, thereby, alter the capital structure of rural America. To be successful in this regard local entrepreneural talent must be identified and nurtured both educationally and financially. Training for new entrepreneurs would help maximize capital control and the resulting benefits from the return on capital at the community level. Too many state and local governments smother local initiative with the same red carpet they roll out to out-of-state or out-of-country corporations.

Therefore, to modify the structure of capital control and ownership in rural America, a policy of Southern capital formation must be established and pursued, channeling new savings and expanding capital ownership throughout the rural South. This process may take one or even two hundred years, but ultimately it will preserve not only the basis of capitalism, but is key to creating a rural community structure that will preserve those values drawn from the Jeffersonian tradition that are deemed worthwhile by present and presumably future rural residents.

If people's preferences for rural communities and small towns are sufficiently strong and persistent, then the theory of induced innovation suggests that new smaller units of organization in public and private concerns will evolve. These may increase the employment of labor relative to capital and hopefully promote a psychological mindset that avoids human resource depletion and instead stimulates human resource development. Such induced technological changes may represent the central driving force underlying Schumacher's book, Small is Beautiful.

Certainly, technological and organizational innovations have been the cornerstone of recent policy suggestions by Coughenour and Busch who recently explored such alternatives as a "modernized rurality" and a "Telic Society" based on purposive experimentation. A value based, purposive set of policy alternatives are the minimum conditions that can be called for by rural America.

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